

## Economic Conditions

### July 2002

#### Civilian Labor Force

- Although Virginia's unemployment rate increased slightly in May, increasing by one-tenth of a percentage point to 4.1 percent, the state's overall economic picture is positive. Comparing May's unemployment rate with previous years, the last time Virginia's May unemployment rate was this high was in 1997 when it was also 4.1 percent. The May unemployment rate is 45 percent less than the last recession's peak unemployment rate of 7.4 percent experienced in February 1992. The national unemployment rate of 5.5 percent in May is also significantly less than the 8.2 percent experienced during the worst of the last recession.
- 154,734 Virginia workers were unemployed in May 2002 compared with 250,800 in January 1992, the highest monthly total during the last recession.
- 36,000 more Virginians were unemployed in May than a year earlier—an increase of 30 percent. In addition, 5,200 more Virginians were unemployed in May than April 2002.
- Four of Virginia's eight MSA's had May unemployment rates above the statewide average—Danville (9.8 percent), Lynchburg (5.7 percent), Bristol (5.5 percent), and Norfolk-Newport News (4.3).
- Virginia's May unemployment rate was lower than all nearby states (Georgia, Kentucky, Maryland, North Carolina, South Carolina, Tennessee, and West Virginia). In addition to Virginia, among these states Maryland, Georgia, and Tennessee (4.6 percent, 4.5 percent, and 4.4 percent, respectively) had unemployment rates of less than five percent.

		May 02	May 01	May 01 to May 02	
				Net Change	% Change
<b>Labor Force</b>	<b>VA</b>	<b>3,779,303</b>	<b>3,671,068</b>	<b>108,235</b>	<b>2.9%</b>
	<b>US</b>	<b>142,253,000</b>	<b>141,048,000</b>	<b>1,205,000</b>	<b>0.9%</b>
<b>Employment</b>	<b>VA</b>	<b>3,624,569</b>	<b>3,551,950</b>	<b>72,619</b>	<b>2.0%</b>
	<b>US</b>	<b>134,365,000</b>	<b>135,202,000</b>	<b>-837,000</b>	<b>-0.6%</b>
<b>Unemployment</b>	<b>VA</b>	<b>154,734</b>	<b>119,118</b>	<b>35,616</b>	<b>29.9%</b>
	<b>US</b>	<b>7,888,000</b>	<b>5,846,000</b>	<b>2,042,000</b>	<b>34.9%</b>
<b>Unemployment rate</b>	<b>VA</b>	<b>4.1%</b>	<b>3.2%</b>	<b>----</b>	<b>28.1%</b>
	<b>US</b>	<b>5.5%</b>	<b>4.1%</b>	<b>----</b>	<b>34.1%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Nonagricultural Employment

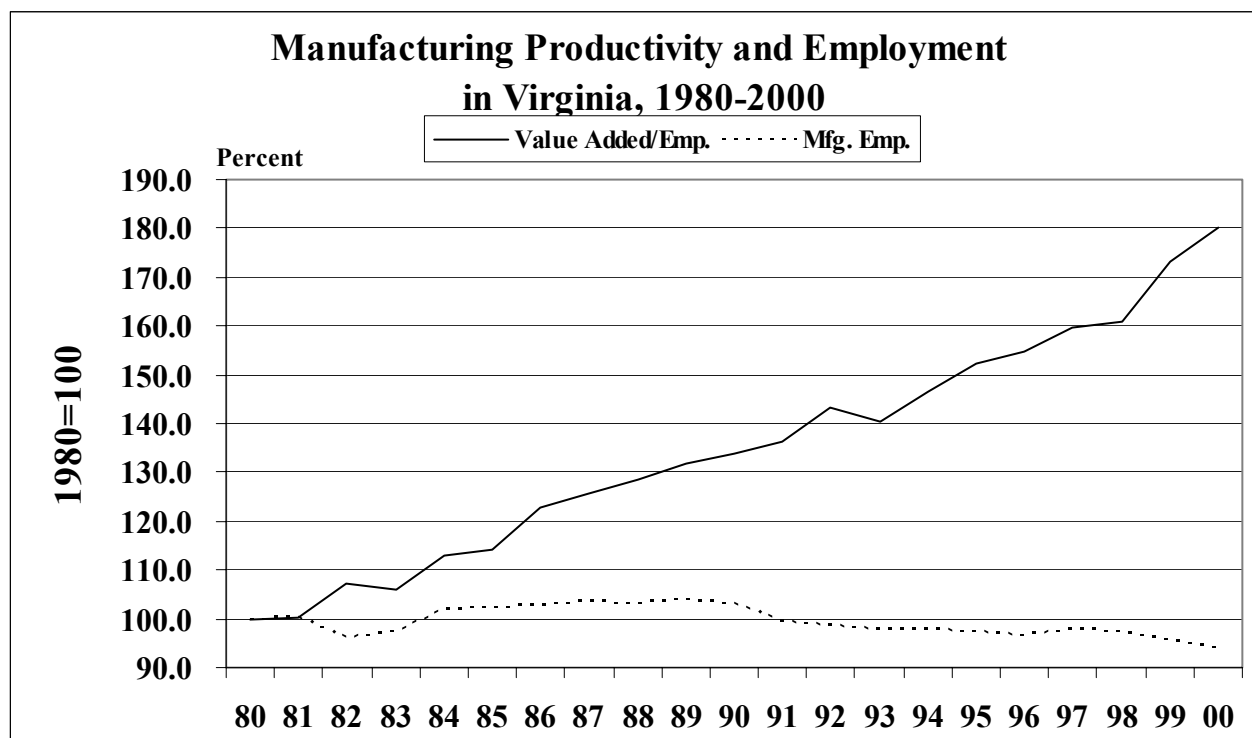
- Nonagricultural employment declined by 32,500 jobs from April 2001 to April 2002.
- Government; services; and finance, insurance and real estate were the only sectors of the Virginia economy to add jobs from April 2001 to April 2002. They added a combined total of 10,400 jobs with 57 percent attributed to government.
- The largest job losses in Virginia from April 2001 to April 2002 were in manufacturing (16,400 jobs), transportation and public utilities (11,900 jobs), construction (9,800 jobs), and wholesale and retail trade (4,700 jobs).
- Since April 1990, services has added more jobs than any other sector of the Virginia economy—426,900—and has grown at a faster rate than any other sector—58.6 percent.

	Current				Historic			
			Apr. 01-Apr. 02				Apr. 90-Apr. 02	
	April 02	April 01	Net Change	%		April 90	Net Change	%
Total	3,494,600	3,527,100	-32,500	-0.9%		2,889,900	604,700	20.9%
Mining	9,900	10,000	-100	-1.0%		15,600	-5,700	-36.5%
Construction	203,500	213,300	-9,800	-4.6%		184,800	18,700	10.1%
Manufacturing	359,000	375,400	-16,400	-4.4%		426,600	-67,600	-15.8%
Trans. and public utilities	177,700	189,600	-11,900	-6.3%		147,300	30,400	20.6%
Wholesale and retail trade	752,400	757,100	-4,700	-0.6%		647,600	104,800	16.2%
Finance, ins., and real estate	192,300	192,100	200	0.1%		154,000	38,300	24.9%
Services	1,156,000	1,151,700	4,300	0.4%		729,100	426,900	58.6%
Government	643,800	637,900	5,900	0.9%		584,900	58,900	10.1%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Manufacturing Employment – Overview

- In April 2002, manufacturing employment in Virginia remained at its lowest level since March 1975.
- Manufacturing in Virginia has been in a state of long-term decline since reaching its peak employment of 432,500 in September 1989. It has declined 17.0 percent since then, losing 73,500 jobs, with textiles and apparel accounting for 42,000 of the total. In comparison, manufacturing declined nationally by 14.1 percent during the same period. Despite heavy employment losses, manufacturing remains Virginia's largest basic industry.
- Nationally manufacturing peaked in June 1979 with 21.3 million employees. Since then it has lost 4.6 million jobs through April 2002.
- Manufacturing job losses fall disproportionately on Virginia's non-metropolitan communities. Although they account for just 22 percent of the state's population, they represent 36 percent of the state's manufacturing employment.
- Manufacturing employment in Virginia declined 4.4 percent in April from a year earlier. Among neighboring states, three had greater percentage losses (North Carolina, West Virginia, and South Carolina). Four states (Georgia, Maryland, Kentucky, and Tennessee) had smaller losses.
- Due to significant capital investments and improved manufacturing processes, Virginia's manufacturing workers are much more productive than they were in 1980. The inflation-adjusted value added per manufacturing worker in Virginia increased 80 percent from 1980 to 2000. Virginia manufacturers now require significantly fewer workers than they did in 1980 to produce the same or greater output.



## Virginia Manufacturing Employment – Durable Goods

- Durable goods lost 8,400 jobs over the past twelve months, a decline of 4.3 percent.
- Job losses were heaviest in two durable goods industries—electronic equipment (5,000) and furniture (2,700). The largest percentage losses were also in electronic equipment (18.8 percent) and furniture (13.5 percent).
- The only durable goods industries to add jobs over the past twelve months were transportation equipment and lumber, which grew by 1,500 and 500 jobs, respectively.
- Although some manufacturing job losses have been due to the overall weakness of the economy, long-term trends are also at work. Electronic equipment has been steadily declining since 1985, largely due to the impact of foreign competition. Since 1990 alone, this industry has lost 13,700 jobs, a 38.8 percent decline, with no end in sight to the losses. Furniture, also feeling the effects of foreign competition, lost 6,400 jobs (a 27.0 percent loss) during the same period. In all likelihood the weight of foreign imports will fall heavily on this industry in the years to come.
- On a brighter note, over the long-term industrial machinery is one of the few durable goods industries in Virginia to register solid job gains, adding 5,200 jobs since April 1990. This industry has been especially successful in exporting to foreign markets and has played a key role in productivity increases that have enabled manufacturers to produce more with the same or fewer workers.

	Current				Historic			
			Apr. 01 –Apr. 02				Apr. 90-Apr. 02	
	April 02	April 01	Net Change	%		April 90	Net Change	%
<b>Total manufacturing</b>	<b>359,000</b>	<b>375,400</b>	<b>-16,400</b>	<b>-4.4%</b>		<b>426,600</b>	<b>-67,600</b>	<b>-15.8%</b>
<b>Durable goods</b>	<b>188,800</b>	<b>197,200</b>	<b>-8,400</b>	<b>-4.3%</b>		<b>208,300</b>	<b>-19,500</b>	<b>-9.4%</b>
<b>Lumber</b>	<b>26,700</b>	<b>26,200</b>	<b>500</b>	<b>1.9%</b>		<b>25,100</b>	<b>1,600</b>	<b>6.4%</b>
<b>Furniture</b>	<b>17,300</b>	<b>20,000</b>	<b>-2,700</b>	<b>-13.5%</b>		<b>23,700</b>	<b>-6,400</b>	<b>-27.0%</b>
<b>Stone, clay, glass</b>	<b>11,800</b>	<b>12,700</b>	<b>-900</b>	<b>-7.1%</b>		<b>14,800</b>	<b>-3,000</b>	<b>-20.3%</b>
<b>Primary metals</b>	<b>9,800</b>	<b>10,500</b>	<b>-700</b>	<b>-6.7%</b>		<b>11,800</b>	<b>-2,000</b>	<b>-16.9%</b>
<b>Fabricated metals</b>	<b>17,400</b>	<b>17,900</b>	<b>-500</b>	<b>-2.8%</b>		<b>17,900</b>	<b>-500</b>	<b>-2.8%</b>
<b>Ind. machinery</b>	<b>27,600</b>	<b>28,100</b>	<b>-500</b>	<b>-1.8%</b>		<b>22,400</b>	<b>5,200</b>	<b>23.2%</b>
<b>Electronic equip.</b>	<b>21,600</b>	<b>26,600</b>	<b>-5,000</b>	<b>-18.8%</b>		<b>35,300</b>	<b>-13,700</b>	<b>-38.8%</b>
<b>Trans. equip.</b>	<b>41,600</b>	<b>40,100</b>	<b>1,500</b>	<b>3.7%</b>		<b>43,500</b>	<b>-1,900</b>	<b>-4.4%</b>
<b>Instruments</b>	<b>10,700</b>	<b>10,700</b>	<b>0</b>	<b>0.0%</b>		<b>10,600</b>	<b>100</b>	<b>0.9%</b>
<b>Misc. mfg.</b>	<b>4,300</b>	<b>4,400</b>	<b>-100</b>	<b>-2.3%</b>		<b>3,200</b>	<b>1,100</b>	<b>34.4%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Manufacturing Employment – Nondurable Goods

- Nondurable goods lost 8,000 jobs over the past twelve months, a decline of 4.5 percent.
- Food and tobacco products added 800 jobs over the past 12 months. All other nondurables lost jobs.
- The heaviest job losses of the past twelve months were in textiles, apparel, rubber and plastics, printing, and chemicals, which lost a combined total of 8,300 jobs.
- The long-term prospects for several of Virginia's nondurable goods industries are particularly poor. Textiles and apparel, reflecting national trends, have been battered by foreign imports. Both industries have been losing jobs since the early 1970s with combined losses totaling 60,000 jobs. However, almost two-thirds of these jobs were lost since 1990. Given current trends the apparel industry will virtually cease to exist as a viable industry in Virginia within 5 to 10 years.
- Virginia's chemical industry, which peaked at 47,300 employees in 1968, has also been in long-term decline. Since then it has lost 28,100 jobs, 11,000 since 1990 alone.

	Current				Historic			
			Apr. 01 – Apr. 02				Apr. 90–Apr. 02	
	April 02	April 01	Net Change	%		April 90	Net Change	%
<b>Total manufacturing</b>	<b>359,000</b>	<b>375,400</b>	<b>-16,400</b>	<b>-4.4%</b>		<b>426,600</b>	<b>-67,600</b>	<b>-15.8%</b>
<b>Nondurable goods</b>	<b>170,200</b>	<b>178,200</b>	<b>-8,000</b>	<b>-4.5%</b>		<b>218,300</b>	<b>-48,100</b>	<b>-22.0%</b>
Food products	38,300	37,900	400	1.1%		35,100	3,200	9.1%
Tobacco products	8,200	7,800	400	5.1%		12,600	-4,400	-34.9%
Textiles	20,200	24,600	-4,400	-17.9%		41,700	-21,500	-51.6%
Apparel	8,300	9,500	-1,200	-12.6%		27,500	-19,200	-69.8%
Paper	16,000	16,400	-400	-2.4%		16,600	-600	-3.6%
Printing	36,300	37,300	-1,000	-2.7%		35,200	1,100	3.1%
Chemicals	19,200	19,900	-700	-3.5%		30,200	-11,000	-36.4%
Rubber/plastics	22,800	23,800	-1,000	-4.2%		17,100	5,700	33.3%
Petroleum/leather	900	1,000	-100	-10.0%		2,300	-1,400	-60.9%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Nonmanufacturing Employment – Selected Industries

- Although manufacturing is still by far Virginia's largest basic industry, several basic nonmanufacturing industries have had an increasingly significant impact on the Virginia economy, including communications, business services, and engineering and management services.
- These three industries grew significantly faster than nonagricultural employment as a whole since 1990 with business services leading with a 91.2 percent increase followed by engineering and management services, 51.6 percent, and communications, 32.1 percent. This compares with 20.9 percent employment growth for nonagricultural employment during the same period.

	Current				Historic			
			Apr. 01-Apr. 02				Apr. 90-Apr. 02	
	April 02	April 01	Net Change	%		April 90	Net Change	%
<b>Nonmanufacturing</b>	<b>3,135,600</b>	<b>3,151,700</b>	<b>-16,100</b>	<b>-0.5%</b>		<b>2,463,300</b>	<b>672,300</b>	<b>27.3%</b>
<b>Communications</b>	<b>58,400</b>	<b>62,600</b>	<b>-4,200</b>	<b>-6.7%</b>		<b>44,200</b>	<b>14,200</b>	<b>32.1%</b>
<b>Business services</b>	<b>309,800</b>	<b>325,400</b>	<b>-15,600</b>	<b>-4.8%</b>		<b>162,000</b>	<b>147,800</b>	<b>91.2%</b>
<b>Engineering and management svcs</b>	<b>145,500</b>	<b>140,200</b>	<b>5,300</b>	<b>3.8%</b>		<b>96,000</b>	<b>49,500</b>	<b>51.6%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Consumer Price Index

- The Consumer Price Index for All Urban Consumers (CPI-U) was unchanged in May. On a seasonally adjusted basis the CPI-U increased was also unchanged in May. The energy index, which experienced large increases in the preceding two months, declined 0.7 percent in May. Excluding energy and food, the CPI-U increased just 0.2 percent in May.
- For the first five months of 2002, the CPI-U rose at a seasonally adjusted annual rate of 3.0 percent. This compares with a 1.6 percent increase for all of 2001.

Current			Historic		
	% Change, Apr. 02 to May 02	% Change May 01 to May 02	% Change May 90 to May 02	% Change May 80 to May 02	% Change May 70 to May 02
<b>May 02</b>					
<b>179.8</b>	<b>0.0%</b>	<b>1.2%</b>	<b>39.2%</b>	<b>119.8%</b>	<b>365.8%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Finance

- The current federal funds rate of 1.75 percent remains unchanged since it was set in mid-December 2001. The federal funds rate, one of the most frequently quoted and misunderstood financial indicators, is at its lowest level in four decades.
- The Dow Jones, S&P 500, and NASDAQ are currently 22 percent, 37 percent, and 72 percent, respectively, below their all-time highs of two years ago.

	July 02	% Change, 1 Month	% Change, 3 Months	% Change, 6 Months	% Change, 1 Year
<b>DJIA</b>	<b>9110</b>	<b>-6.2%</b>	<b>-12.1%</b>	<b>-9.6%</b>	<b>-14.0%</b>
<b>S&amp;P 500</b>	<b>969</b>	<b>-6.9%</b>	<b>-15.5%</b>	<b>-16.1%</b>	<b>-21.7%</b>
<b>NASDAQ</b>	<b>1404</b>	<b>-10.2%</b>	<b>-24.6%</b>	<b>-29.1%</b>	<b>-34.7%</b>

	July 02	Jan. 02	July 01
<b>Federal funds rate</b>	<b>1.75%</b>	<b>1.75%</b>	<b>3.75%</b>
<b>Treasury – 5 year</b>	<b>4.04%</b>	<b>4.47%</b>	<b>4.84%</b>
<b>Treasury – 10 year</b>	<b>4.82%</b>	<b>5.16%</b>	<b>5.33%</b>
<b>Bank prime loan rate</b>	<b>4.75%</b>	<b>4.75%</b>	<b>6.75%</b>

Note: Data is for the first business day of the month.

Source: Reuters and the Board of Governors of the Federal Reserve System.

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